

MEMORANDUM FOR:

DD/ER&S/OP

6N20

Committee Mark Up of the
revised Stevens retirement bill
is scheduled for 26 Sept 10 AM.
If Committee Democrats, meeting
today, agree to support it, Stevens
will go through with the Mark Up,
vote it out, and get it to Senate
floor ASAP.

25 Sept 85

Substantive Changes to S. 1527

- A "backloaded" accrual rate of 0.9 percent for the first 15 years of service and 1.1 percent of service beyond 15 years.
- Retains the current 50 years of age and 20 year service requirements for retirement for special classes (law enforcement officers, firefighters, and air traffic controllers) and permits these classes to retire with 25 years of service at any age.
- Provides an employee option to contribute 1.3 percent of salary to the defined benefit portion of the plan to permit unreduced retirement at 55 years of age with 30 years of service. It would also provide a higher accrual rate (1.1 percent for the first 10 years, 1.35 percent thereafter) with a lower employer match for the thrift plan (50 cents per dollar up to 6 percent of salary).

Technical Changes to S. 1527

The bill has been retitled as the "Federal Retirement Reform Act of 1985"

Subchapter I - Definitions

Firefighter and law enforcement officer definitions amended to include employees who move to administrative or managerial jobs after 10 years in the occupation.

Service definition amended to treat leave without pay the same as in current law.

Subchapter II - Basic plan

Requirement for mandatory retirement of special classes restored to parallel current law.

Annuity supplement for the special classes will start at retirement (rather than age 55).

Annuity reduction for electing a survivor benefit is specified as 12% (rather than an actuarial amount varied by individual).

Normal cost charged to an agency will exclude the amount computed for military service. An agency which disagrees with the cost may ask for a review by the Board of Actuaries.

Subchapter III - Thrift plan

A "catch up" feature allowing carryover of the unmatched contribution not used in any year, up to a maximum of 15%, has been added.

Tax treatment language has been clarified to insure equal treatment of federal and private employees under possible modifications to tax laws.

Disability benefits recipients may elect to withdraw their thrift account balance within one year of the disability determination.

The annuity option for a former employee who did not vest in the basic plan has been deleted (withdrawals and rollovers are still permitted).

Description of the balance in the Thrift Savings Fund has been clarified by adding payouts and loan repayments to the list.

The Common Stock Index Investment Fund description has been broadened to recognize stocks sold over-the-counter and to permit sampling in the establishment of an index.

Maturity dates of notes issued by the Treasury for the Government Securities Investment Fund has been changed from 2 to 4 years.

Subchapter IV - Survivor benefits

The right of an individual with an insurable interest has been clarified to show that he or she has the same payment options as a surviving spouse for money payable from the thrift fund.

Wording on effective dates for benefit termination has been clarified.

The opportunity to elect a survivor annuity for a former spouse or a current spouse based on death or remarriage of an earlier designee has been clarified.

Subchapter V - Disability benefits

A provision to adjust benefits for recipients whose conditions of entitlement change (i.e., from occupationally disabled to totally disabled or vice versa) has been added.

The section on administrative provisions has been modified to clarify OPM's role in connection with the party or parties administering the LTD benefit. Clarifications on the management of the disability fund have also been made.

Subchapter VI - General and administrative provisions

Reemployed annuitants who work on a part-time basis are allowed to elect to have their annuity continue and to receive the pay for the position, not to exceed the annual pay a full time employee in the position would receive.

A new section has been added to require OPM to provide participants with information sufficient to understand the rights, benefits, and options available under the plan.

Subchapter VII - Transition provisions

A requirement has been added that employees under CSRS who join the new plan must complete 5 years under it before they are exempt from the windfall benefits and public pension offset provisions of Social Security.

Subchapter VIII - Civil Service Thrift Investment Management System

Regulatory responsibility has been shifted from the Board to the Executive Director.

The Board members are no longer listed as fiduciaries but are required to discharge their responsibilities solely in the interest of participants and beneficiaries.

As part of the requirement for the Board to remove the Executive Director, the Comptroller General must investigate and recommend action.

A new section has been added creating an Employee Advisory Committee. Participants in the Thrift Savings Fund will elect 5 members for two year terms to advise the Board and Executive Director on investment policies and exclusions from the Index Fund and to exercise shareholder rights with respect to the Index Fund.

The fiduciary responsibility section has been modified to incorporate more specifically the provisions applicable to private plan fiduciaries under ERISA.

New sections have been added on bonding and insurance.
Title III - Miscellaneous and Conforming Amendments

The section which provides free life insurance to plan participants has been deleted.

A section permitting access to wage records of disability benefits recipients has been added.

Title IV - Authorization and Effective Dates

A section authorizing a \$1 million appropriation for OPM to carry out the plan's information program has been added.